TRUST ACCOUNT BASICS

Trust account records should show at all times:

1. *When* money came into the trust account;
2. *How much* and,
3. *Who* it belongs to;
4. *When* it was disbursed and *to whom.*

Take a look at the Trust Account Sample. This was prepared in Excel, and should be usable, as downloaded. The examples outline proper maintaining of a trust account record keeping system, at it's simplest. Money went into and came out of the trust account on different dates. These events were recorded in two different places (First the checkbook, then the client ledger) and were added and subtracted, as appropriate.

The total of all the sub-accounts (client ledgers) equals the Receipts and Disbursements Journal (Checkbook) balance. This is true at any step in the process. You can see from the example (again the Trust account Sample) that $490 belongs to the broker in personal funds, $500 is Black's deposit, and $500 belongs to Ferrar for his earnest money. Everyone else's money has been disbursed and their balances are now zero.

If you are doing the posting correctly, you will have a constant verification which you can use as a "spot check" from time to time to confirm your accuracy. Remember:

1. The checkbook balance should *always* equal
2. the total of the client ledger balances which
3. can be reconciled to the bank statement *(at a minimum, monthly)*.

If you have been recording the deposits and checks in the trust account checkbook as they occur, with no errors, the current checkbook balance will agree with the total of the client ledger balances. The more frequently you double check a manual system, the quicker you will be able to correct any mistakes, and the easier they will be to find. This applies to computer systems, as well. A system that will allow you to do an "interim" bank reconciliation report without "closing out" the month can be valuable in double checking entries during the month.

Once you "zero out" a sales client ledger, there is no longer any need to keep the page or ledger card with your active ledgers. That page can be removed and filed in the transaction folder to give a ready reference to your “audit trail” of that transaction at any time.

Property Management ledgers, since they carry ongoing balances, are easier to cross check with the checkbook if they are kept together, rather in the client files.

COMPUTER SYSTEMS

Please note that if you buy a computer system to perform your calculations for you, your bank reconciliation report should resemble the sample shown. Many computer “bank reconciliation” procedures are strictly preliminary and verify that you input the cleared items correctly into the system. They do not give you the uncleared or outstanding items, or reconcile with the client ledger balances. Usually another report, which may have the wording “cash balances” in the title will give you the required information; i.e., tell you which checks and deposits are still uncleared, or outstanding, and many times, in one step, will give you a summary of ledger totals and tell you whether they are in balance. If you stop with the computer program titled “bank reconciliation” process, you still have not completed the bank reconciliation report until you have reviewed the summary report which will give you the information as to whether your check book balance agrees with your client ledger balances, and which items are necessary to consider in balancing with the bank records.